

# Evaluation criteria for consolidated groups of taxpayers

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**Abstract.** In the article, authors describe an issue of evaluating the effectiveness of the consolidated groups of taxpayers (CGT). In the context of the work the criteria for the evaluation of the tax system by various authors were described and criteria for evaluating the effectiveness of CGT were identified. The authors proposed the methodology of evaluation activities of CGT on the basis of identified criteria. The results of the evaluation can be used to make changes in Russian legislation, due to which additional finance for the development of the country can be attracted.

## Introduction

Modern tax system is not a static entity; it is constantly changing and improving. Modern development of the economics and the transactors group exerts its influence on the transformation of the taxation system, both for individual taxes and forming new tax regimes for individual groups of transactors. Holding structures are often the core not only for individual small towns and cities, but also entire regions. In this regard, they actively affect inter-budgetary relations and redistribution of financial and tax flows. In recent years, actively developing a special system of taxation affecting the redistribution of tax flows in holding structures through the establishment of voluntary consolidated groups of taxpayers.

The institute of a voluntary tax liabilities consolidation for groups of companies in the Russian Federation was introduced to largest taxpayers already since January 1, 2012. [1] Russian criteria for the limitations of the recognition of the activities of taxpayers enough to form the consolidated groups of taxpayers (hereinafter the CGT) is high, compared with the criteria established in developed countries.

According to article 25.2 the Tax Code of Russia will only be able to unite the largest companies that meet a number of the following restrictions:

1. The total amount of taxes paid per year must not be less than 10 billion rubles.
2. The total amount of the proceeds from the sale of goods, works, and services on the date of filing of documents for registration of the contract shall not be less than 100 billion rubles (pp. 2 p. 5 art. 25.2 of the Tax Code of Russia).
3. The total value of the assets on the date of filing documents for registration of the contract shall not be

less than 300 billion. rubles (pp. 3 p. 5 art. 25.2 of the Tax Code of Russia).

4. One organization directly and (or) indirectly participates in the company's charter capital (aggregate) of other organizations and the share of such participation shall not be less than 90%. [2]

As a result of the high criteria established in Russian legislation for the formation of CGT only 1559 companies (0, 15% of all taxpayers liable to pay income tax) could generate 15 consolidated groups of taxpayers in 2013.

The works by M.A. Adrianova, N.A. Adamova, K.A. Bannova, O.A. Ikonnikova, N.A. Kondrashova, L.B. Larina, O.A. Lugovkina, A.V. Panagushina, V. S. plotnikova, D.Y. Tafinceva, B.V. Cerenova etc. are devoted to identifying of problems of taxation of consolidated groups of taxpayers, as well as coverage of methodical approaches to reforming the system of consolidated groups of taxpayers in the Russian Federation

Foreign experience of taxation of consolidated groups of taxpayers is considered in the works of the following authors: Adrianova M.A., L.M. Arhipceva, L.M. Bayer, Bondarenko O.Y., Buranov Z.M., Goncharova L.V., Gromov V.V., Ikonnikova O.A., Konotopova M.V., Kornienko M.Y., T.A. Malinina, Smirnov V.V.

The works by Aliyev's V.V. Avdeeva B.H., Ivanov V.V., Malis N.I., Dorzhdeeva A.V., Leksina V.N., Pokrovskaya N.V. Research are devoted to influence of the distributions of income tax on inter-budgetary relations.

## Evaluation criteria of the tax system

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At the moment, analyzing the effectiveness of CGT, modern authors consider only the existing system, without paying sufficient attention to criteria of formation of CGT and the prospects of their changes. We can distinguish two groups of works: the first one focuses on statistical models of CGT creation (analysis of the dynamics of economic indicators of companies after appearance of the CGT); the second contains a proposal to amend the requirements of entering the CGT in the absence of a single theoretical approach to the taxation model of CGT.

The complexity of this institution as a consolidated group of taxpayers is the issue of forming the criteria by which to assess and predict the performance of the established and proposed to establishing of consolidated groups of taxpayers. Let us consider the criteria for assessment of any tax system, selected by authors in different periods (table 1).

**Table 1.** Criteria of the tax system

Author	Criterion	Advantages	Disadvantages
A. Smith [3]	- justice; -certainty; -facilities; -savings (rationality)	The basic principles of the tax system of any modern state	Under solvency Smith understood exclusively absolute income and availability of taxpayer property, permitting the payment of taxes
A. Wagner	- financial (sufficiency and elasticity of taxation) - national economic (proper taxation channel selection, the right combination of various taxes) - ethical principles (universality and uniformity of taxation) - a sum-total of administrative and technical rules or principles of tax administration (certainty of taxation, tax payment)	These principles, developed in the 18th and 19th centuries, did not lose their value to construct an efficient tax system at this time	-

	convenience and minimizing of costs to recover)		
F. Nitti	- justice vertically; - justice horizontally; - efficiency; - neutrality; - simplicity.	These principles increasingly protect taxpayers	Inconsistent criteria linked to the conflict of economic efficiency and justice. For example, tax concessions are fair, but they distort the tax system that leads to economic inefficiency
A. Bryzgalin	- unity of the tax system. - mobility. - multiplicity of taxes. - an exhaustive list of regional and local taxes.  A. Bryzgalin speaks about these three groups: organizational, economic and legal.	Tax and certain tax arrangements can be rapidly changed in the direction of increasing or decreasing the tax burden in accordance with the objective needs and possibilities of the state	The introduction of additional taxes when you need to solve a budget problem will cause economically unjustified, frivolous tax, which, after all, is not only ineffective, but also cause substantial damage to the effectiveness of the system as a whole
A. Smirnov	Adequacy, performance, flexibility, stability, fiscal federalism, certainty, efficiency, taxpayer convenience, selecting a source, taxation and neutrality	-	No tax system would be able to comply with all the principles selected by the author, equally
L. Jacobson	Relative equality commitments, economic neutrality, simplicity, flexibility and accountability on the part of their tax payers	These criteria protect the taxpayer as the practice of tax systems are not able to fully comply with these principles	Under a certain inconsistency of certain principles often the conflict between the requirements of economic efficiency

			and justice hides
A.Krisovati j	Scientific combination of fiscal sufficiency, economic efficiency, social equity, stability and flexibility	In real life the first three criteria interrelated, interdependent and cannot exist separately from each other	In conditions changing environment the stability and flexibility contradict each other

With a view to identifying a formalized expression of the criterion of effectiveness, economic theory offers the use of such indexes:

1. A concentration index allows one to identify those taxes, which formed the bulk of budget revenues.

2. An index of dispersion determines the existence (or lack) of taxes on low income that complicate the tax system.

3. An index of erosion determines the extent to which the actual potential tax bases.

4. Index delay collection determines the timeliness of payment of tax payers.

5. An index of concreteness determines the ease of constructing a system of taxation with the least possible amount of taxes that have specific tax rates.

6. An index of objectivity determines if the most taxes objectively defined the tax base.

7. An index cost of tax collection provides an opportunity to identify how to minimize tax collection costs.

A key element of the assessment of the effectiveness of the existing tax system is to determine the extent of its compliance with the general status of the economic system. In the absence of sufficient flexibility of the tax system as the main tool of the formative-profitable budget, there is a real risk of strengthening the economic crisis. To clarify this state let us appreciate the dynamics change of budget revenues relative to GDP, using the classical elasticity coefficients and the dynamic nature of taxes.

At the moment particular difficulties are the issue in forming criteria by which to assess and predict the efficiency for created and assumed to creation consolidated groups of taxpayers. Currently, during effectiveness evaluation of the tax system of CGT, in our view, there is only one criterion of fiscal, i.e. the level of replenishment of the budgets of different levels, both in the individual regions, and in general, in the part of the regional and federal budgets of the Russian Federation. We have marked out the criteria for authors, mentioned above, which can be used to assess the consolidated groups of taxpayers (table 2).

**Table 2.** Criteria inherent to CGT

Criterion	Justification
Certainty (A. Smith)	When the time of payment of the tax comes, the way and the payment amount must be accurate and known to a payer beforehand and must not depend on subjective

	factors.
Equivalence and proportionality	Levy with the CGT is carried out in a certain percentage of profits and ensuring the payment of equal taxes and fees to equal profit and proportionally large taxes and fees for big profits.
Facilities (A. Smith)	Every tax must be levied with the CGT at such time and in such a way that is most convenient for the group.
Simplicity (F. Nitti)	The ease and accessibility for payers of taxes and counting techniques of filling various forms of tax reporting.

All of the criteria allowing the study of the evaluation of the effectiveness evaluation of CGT activities can be divided into three major groups:

1. investment;
2. economic;
3. social.

Within the investment criteria we need to consider and address issues of flexibility of the built consolidated groups of taxpayers. Flexibility implies ability to respond adequately to changes of the macroeconomic situation in the country and the phases of the economic cycle, as well as to adjust the investment flows, choosing priority and branches of economy attractive for investment. An example of flexible taxes such as income tax provides organizations with smoothing the business cycle and acts as a built-in stabilizer. This tax is in the phase of recovery and is able to inhibit entrepreneurial activity, increasing the tax burden because of faster profit growth. And, vice versa, the burden of the profit tax shrinking recession faster by stimulating entrepreneurs to increase activity.

The assessment of the economic criteria, in our view, should determine the proportionality of the tax burden, which minimizes administrative costs, assess the effects of fiscal disincentives to change flows, and evaluate the sectoral orientation created and planned to establish a consolidated groups, with a view to introducing additional factors for reallocation of fiscal flows.

Social criteria include actual (projected) favorable social effects of CGT, including:

- a) the well-being category of taxpayers;
- b) improving the quality and availability of services to the population of the state in the fields of education, culture, arts, physical culture and sports, health, social protection of the population;
- c) the creation of favorable conditions for the activities of the organizations employing citizens requiring measures of the State support.

Relationship and contradiction of the criteria allow a person to evaluate both advantages and disadvantages created by the tax regime. For example, tax concessions are fair, but they distort the tax system that leads to economic inefficiency.

## Technology of evaluating the activities of CGT

On the basis of identified criteria, it is necessary to develop a methodology for assessing the effectiveness of the activities of CGT on the assessment system of cooperation between the participants of the consolidated group of taxpayers and the state.

The aim of created methods should be to identify sub-criteria within the designated criteria, affecting the efficiency of the establishment and functioning of the consolidated Group of taxpayers; detection of correlations between investment, economic and social factors of interaction between the CGT and the environment, as well as factors of the feasibility entry into CGT; development of recommendations for their optimization.

The information base may make extracts from General State Register of Legal Persons (GSRLP), various certificates, issued by the participants of the consolidated group of taxpayers, copies of payment orders for the VAT payment, excise duties, income tax and tax on extraction of minerals (copies of decisions of the tax authority concerning the holding of credits in tax data), balance sheets, profit and loss statements for the preceding calendar year for each member of the group and other normative legal acts on accounting.

## Conclusion

Proper and full assessment of the effectiveness of the establishment and functioning of the consolidated groups of taxpayers would form and amend the current tax laws of the Russian Federation for CGT changes and adjustments conducive to attracting additional financial resources in the consolidated budget of the Russian Federation. That will allow for financing investment activities related to the development of technology, as well as for the financing of research, engaging in economic activities on the new territories and in new activities.

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